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C O N F I D E N T I A L AMMAN 002125

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STATE FOR NEA/ELA, EEB

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TAGS: ENRG EPET ECON EINV PGOV JO
SUBJECT: ABSENT A NEW ENERGY LAW, JORDAN GRANTS EXISTING

REFINERY 15-YEAR EXCLUSIVITY

REF: A. AMMAN 1690
¶B. AMMAN 433

Classified By: Ambassador R. Stephen Beecroft for reasons 1.4 (b) and (d).

¶1. (SBU) Summary: The Government of Jordan granted the Jordan Petroleum Refinery Company (JPRC) and its future strategic partner 15-year exclusivity rights on selling refined petroleum products in Jordan. An energy law that remains in draft form would have opened up the petroleum sector and JPRC CEO Ahmed Refai defended the exclusivity decision, telling EconOffs that there was no other way Jordan's sole refinery could find investors willing to invest $2.1 billion to improve capacity and environmental standards at the refinery. Refai confirmed that the international consortium Infra MENA submitted a credible bid, but that no strategic partner has been chosen yet. He expects a partnership deal to be signed by the end of 2009, with refinery upgrade work expected to begin in late 2010. End Summary.

15-Year Exclusivity Rights

¶2. (C) The GOJ has granted the Jordan Petroleum Refinery Company (JPRC) and its future, yet-to-named, strategic partner 15-year exclusivity rights on selling refined petroleum products in Jordan, a move sure to boost JPRC's chances at signing a $2.1 billion expansion and refurbishment deal for Jordan's only refinery, located near Zarqa (ref A). JPRC's 50-year concession on refined oil products ended in March 2008, and had been extended through a service agreement pending a new energy law (that remains in draft) through December 2009. JPRC CEO Ahmed Refai explained the GOJ opted to offer exclusivity rights, which provide the GOJ with greater flexibility, instead of a concession, which has to be approved through the parliament. He added that while press reports detailing the 15-year exclusivity were somewhat accurate, he lamented that the Jordanian media had implied that a strategic partner had been chosen and repeatedly misprinted the value of the deal by reversing the English to Arabic numbers (media reported that it was worth $1.2 billion

and not the actual $2.1 billion).

An Economic and National Security Imperative

¶3. (C) In commenting on press criticism that the deal would weaken competition, Refai stressed that JPRC and the GOJ were doing what they had to do in order to keep viable Jordan's only refinery. He said that in leading up to the exclusivity arrangement, the PM convened high-ranking officials from the ministries of Energy and Mineral Resources, Finance, Industry and Trade, and Planning and International Cooperation as well as officials from the Audit Bureau, Royal Court, and JPRC to discuss the future of the refinery and whether or not the refinery was in Jordan's economic and national security interest. Refai claims the interagency committee reported to the King who confirmed the importance of maintaining the refinery for Jordan's economic and national security. To do so, Refai asserted JPRC would have to be upgraded. The upgrade would include increasing refining capacity from 100,000 to 150,000 bbl/day, linking the refinery with the port in Aqaba via pipeline or rail, producing cleaner fuels, and implementing cleaner refining processes for improving the environment for the communities near the refinery. Refai further replied to press criticism by stressing that JPRC was a vital economic provider to Jordan, with 3,500 Jordanian workers (plus an extra 1,000 non-JPRC truck drivers), 17,000 Jordanians on its health insurance rolls, and 32,000 shareholders.

A New Consortium for Saving the Refinery

¶4. (C) According to Refai, the leading consortium for the expansion deal is Infra MENA, an investment fund reportedly with $500 million in capital, but that a JPRC-Infra deal was still not completed, contrary to press reports suggesting that the exclusivity went to JPRC and Infra. Whether or not Infra gets the deal, he went to great lengths to explain that there was no alternative available to JPRC than to look beyond Jordan to find a strategic and financial partner able to bring $2.1 billion to the table. JPRC has been frustrated in finding such a partner for two years because of a lack of domestic financial might and a small domestic market that, according to Refai, is not attractive to big oil companies such as BP or Shell (ref B). Refai said that the Infra consortium includes France's Technip and the UK's KBC on the technical side, Deutsche Bank on the financial side, and the UK-based Allen & Overy and Squire Sanders on the legal side. He stressed to EconOffs that JPRC's Citibank consultants have vetted the Infra offer and found it to be credible.

¶5. (C) Two other companies had been in the running for the deal, Cairo's Citadel Capital and an American and Jordanian consortium called Future Plan. Given the new exclusivity arrangement, Refai said he would re-engage with Citadel and others who had previously expressed interest in the project. Refai told EconOffs that the only way to attract such a huge investment to Jordan was to offer significant government support. He stressed that the 15-year exclusivity period was relatively short and really only amounted to ten years, given that five of the 15 years would be needed just to complete the upgrades to the refinery once work begins.

¶6. (SBU) Following the GOJ exclusivity decision, a committee made up of the Minister of Energy and Mineral Resources, the Prime Ministry Economic Advisor, and Refai will convene to review the offers of potential JPRC partners. Refai said that he expects JPRC to finalize the $2.1 billion agreement with a strategic partner by the end of 2009 with refinery expansion work to begin in late 2010.

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Beecroft